NKETOANA LOCAL MUNICIPALITY (FS 193)

Item Number : **294/05 (Special Council Meeting 30/05/ 2020)**

Heading :**Approval of Annual Budget 2020/2021 to 2022/2023**

Department : **Finance**

Purpose:

The purpose of the report is to table the Annual Budget for 2020/2021 for approval by council.

Regulatory Framework

Section 16 of the Municipal Finance Management Act of 2003 states that municipalities must for each financial year approve an annual budget for the municipality before the start of that financial year
Section 17 of the MFMA further states that

1) An annual budget of a municipality must be in a prescribed format
   a) Setting out the realistically anticipated revenue for the budget year from each revenue source
   b) Appropriating expenditure for the budget year under the different votes of the municipality
   c) Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget
   d) Setting out
      i) Estimated revenue and expenditure by vote for the current year ; and
      ii) Actual revenue and expenditure by vote for the financial year preceding the current year ; and
   e) A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed
2) Annual budget must generally be divided into a capital and an operating budget in accordance with international best practices, as may be prescribed.
3) When an annual budget is tabled in terms of section 16(2) it must be accompanied by the following documents

a) Draft resolutions
   i) Approving the budget of the budget of the municipality
   ii) Imposing any tax municipal tax and setting any municipal tariffs as maybe
   iii) Approving any other matter that maybe prescribed
b) Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan.
c) A projection of cash flow for the budget year revenue source , broken down per month,
d) Any proposed amendments to the municipality's integrated development plan in terms of section 34 of the Municipal Systems Act

e) Any proposed amendments to the budget –related policies of the municipality
f) Particulars of the municipality's investments
g) Any prescribed budget information on municipal entities under the sole or shared control of the municipality
h) Particulars of new municipal entities which the municipality intends to establish or in which the municipality intend to participate
i) Particulars of all proposed service delivery agreements including material amendments to existing service delivery agreements
j) Particulars of any proposed allocations or grants by the municipality to-
    i) other municipalities
    ii) any municipal entities and other external mechanism assisting the municipality in the exercise of its functions or powers
    iii) any other organs of state
    iv) any organization or bodies referred to in section 67 (1)
k) The proposed cost to the municipality for the budget year of the salary, allowances and benefits of-
    i) each political office bearer of the municipality
    ii) councilors of the municipality; and
    iii)the municipal manager; chief financial; each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager.
l) The proposed cost for the budget year to a municipal entity under the sole or shred control of the municipality of the salary , allowances and benefits of –
    i) each member of the entity's board of directors; and
    ii)the chief executive officer and each senior manager of the entity;
m) Any other supporting documentation as maybe prescribed

Section 24 of the MFMA further states that:

1) the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget
2) An annual budget –
    a. Must be approved before the start of the budget year
    b. Is approved by the adoption by the council of a resolution referred to in section 17(3) (a) (i) and
    c. Must be approved together with the adoption of the resolution as may be necessary –
        i) Imposing any municipal tax for the budget year
        ii) Setting any municipal tariffs for the budget year
        iii) Approving measurable performance objectives for the revenue from each source and for each vote in the budget
        iv) Approving any changes to the municipality's integrated plan ; and
        v) Approving any changes to the municipality's budget related policies
3) The accounting Officer of the municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.

Background

The Budget Process Plan was approved by Council in August 2019 in compliance with Sections 27 and 29 of the Municipal Systems Act.

To drive public participation, Nketoana Local Municipality established a number of IDP and Budget structures which allowed it to solicit inputs and comments from the diverse stakeholders.

According to the Budget Process Plan the annual 2020/2021 budget had to be tabled in Council by no later than 31 May 2020. The Draft Annual Budget for the 2020/2021 financial year will therefore be tabled in Council for approval by 31 May 2020. After the approval by Council, the budget & IDP will be made public and submitted to National and Provincial Treasury.

Public participation will be done electronically via social media. All S57 managers participated in the budget process.

The aim was and is still to solicit inputs and the public were invited in the form of public notice to make comments.

- Service delivery Improvement
- Priority be given to new extension to have services
- Consider to buy than to lease assets for municipal utilisation
- High consideration of the utilisation of local suppliers

The annual budget of the municipality was consolidated taking into consideration all the departments' needs. The total revenue budget is R -353 235 540 which includes operational grants. Total operating expenditure is R 403 591 224 including Employee Related Costs, Repairs and Maintenance, Depreciation and Debt impairment. The operational budget is at a deficit of R 50 355 684. This is mainly due to Depreciation and Debt Impairment of R 56 151 048 and R 53 600 004 respectively. The very poor payment of services by the community also impacts negatively on the municipal revenue. The tariffs would also have to be reconfigured to at least allow a breakeven situation. Adequate staff establishment will also assist over reliance on professional services.

Capital Budget for 2020/2021 is R 61 515 996, with the whole capital Budget being fully funded by grants.

Tariffs

After receiving inputs on the budget during the budget consultation we revised our proposed tariff increase to an average of 5% and all services excluding electricity. No tariff increase is made on the property rates tariffs as the new valuation roll will be implemented and the increase in property values are in access of the targeted 5% increase in other tariffs. It must also be noted that other overheads such as salary increases continue to be at a rate over the CPI which forms the major budget component.

The Electricity tariff will be proposed at 6.24% as guided by NERSA.

The departments received instructions to do a cost analysis on their respective tariffs as in accordance with the related Treasury circular and to affect the changes on the attached tariff list accordingly.

Water and Electricity, the municipality is using the IBT i.e. step tariff, meaning that the more services the consumers consume the more they pay.

Council will during the 2019/2020 year, as a continuation from the 2018/2019 year, review its Organogram in pursuit of realising an effective and efficient cost benefit situation. This will positively impact on the expenditure as it currently seems bloated.

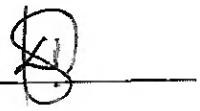
The ANNEXTUREs attached for further detail.

- A1 Schedule of 2020/2021 (Draft Budget)

- Draft Capital Budget 2020/2021
- Draft Tariff List 2020/2021
- Circular 98 and 99 of National Treasury
- Budget related Policies for 2020/2021:
  - ✓ Asset Management
  - ✓ Banking and Investment
  - ✓ Budget Policy
  - ✓ Car allowance
  - ✓ Cell Phone allowance
  - ✓ Credit control and debt collection
  - ✓ Donations
  - ✓ Expenditure
  - ✓ Free Basic Waste (FBW)
  - ✓ Indigent Support
  - ✓ Leave Policy
  - ✓ Overtime
  - ✓ Principles and Policy on writing off of irrecoverable debt, unallocated revenue & impairment
  - ✓ Property Rates
  - ✓ Study Grant
  - ✓ Supply Chain Management
  - ✓ Tariff
  - ✓ Travel and Subsistence
  - ✓ Virement
  - ✓ Working hours
  - ✓ Standby Allowance
  - ✓ Acting Allowance

Resolved:

1. That the annual budget 2020/2021 to 2022/2023 was approved by council.
2. That the tariff list for the 2020/2021 financial year as listed was approved by Council.
3. That the workshop be arranged within seven days from the date of this meeting to deal with policies.

Signature: 

K.A MOKOENA
SPEAKER NKETOANA LOCAL MUNICIPALITY